

Message Text

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TAGS:EAGR,ETRD

SUBJECT: PARIS SUGAR BOURSE DEVELOPMENTS

SUMMARY. ECON/COMM MINISTER HAS EXPRESSED OUR CONCERN OVER PROLONGED SUSPENSION OF SUGAR TRADING TO DUTET, ECONOMIC AND FINANCIAL ADVISER TO THE PRESIDENT. PARIS SUGAR MARKET REMAINS NOMINALLY OPEN FOR QUOTATIONS BUT ONLY ABOUT A DOZEN LOTS TRADED DURING PAST 15 DAYS. SOME BROKERS AND TRADING FIRMS ARE CONSIDERING POSSIBILITY OF FINANCIAL SETTLEMENT OUT OF COURT, BELIEVING LITIGATION MAY DRAG ON FOR YEARS. GOF IS TRYING TO EXPEDITE WORK OF COMMITTEE APPOINTED BY MINISTERS OF COMMERCE AND FINANCE AND IS HOPEFUL WAY CAN BE FOUND TO FACILITATE NEGOTIATIONS BETWEEN INTERESTED PARTIES. END SUMMARY.

1. ECON/COM MINISTER SAW DUTET, ECONOMIC AND FINANCIAL ADVISER TO THE PRESIDENT, AND GAVE HIM A COPY OF OUR AIDE-MEMOIRE, EXPLAINING OUR CONCERNS ABOUT PROLONGED ABSENCE OF TRADING AND THE REPERCUSSIONS THIS COULD HAVE ON OTHER MARKETS. DUTET APPEARED ESPECIALLY SENSITIVE

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TO THE QUESTION OF PRESERVING AN INTERNATIONAL MARKET

IN PARIS AND TOOK NOTE OF OUR VIEWS.

2. DURING PAST FORTNIGHT PARIS WHITE SUGAR MARKET HAS REMAINED OPEN. QUOTATIONS ARE POSTED DAILY AND AN OCCASIONAL TRADE IS CONCLUDED. WE BELIEVE NOT MORE THAN TWELVE LOTS OF 50 TONS EACH HAVE CHANGED HANDS DURING PAST TEN TRADING DAYS.

3. LES ECHOS, PARIS FINANCIAL DAILY, JANUARY 10 REPORTED STATEMENT IN LONDON BY DAVID HARCOURT, PRESIDENT OF LONDON SUGAR TERMINAL ASSOCIATION, TO EFFECT THAT BRITISH INTERESTS WOULD PREFER TO SEE PARIS MARKET RESUME NORMAL FUNCTIONS RATHER THAN SET UP A NEW REFINED SUGAR MARKET IN LONDON.

4. COURT OF APPEALS IS EXPECTED TO RULE JANUARY 13 ON APPLICATION OF ARTICLE 22 OF SUGAR MARKET REGULATIONS, BUT THIS RULING WILL NOT RESULT IN THE FIXING OF A PRICE AT WHICH ACCOUNTS IN CONTENTION MAY BE SETTLED, SINCE THESE ACCOUNTS REMAIN BLOCKED BY A SEPARATE COURT DECISION. SHOULD THE COURT RULE THAT ARTICLE 22 MUST BE APPLIED, ADDITIONAL LITIGATION IS EXPECTED TO SEEK A DECISION ON THE MERITS. SUCH SUITS WOULD PRESUMABLY QUESTION WHETHER THE AUTHORITY TO SUSPEND TRADING WAS PROPERLY EXERCISED AND IT COULD TAKE YEARS TO OBTAIN A DECISION.

5. REPRESENTATIVES OF SHORT INTEREST ARE ANXIOUS TO PROMOTE AN OUT OF COURT SETTLEMENT. ACLI LAWYERS HAVE BEEN WORKING IN THIS DIRECTION. LONGS HAVE SHOWN NO DESIRE TO NEGOTIATE SO FAR, INCLUDING BACHE AND CO, THE ONLY AMERICAN BROKER MEMBER OF THE PARIS BOURSE DE COMMERCE. ACCORDING TO DICKSON, CHEF DE CABINET OF MINISTER OF COMMERCE ANSQUER, IT IS POSSIBLE THAT APPEALS COURT COULD APPOINT A NEGOTIATOR TO BRING ABOUT A FINANCIAL SETTLEMENT. HE SAID THIS PROBABLY WOULD NOT BE DONE UNLESS IT IS FELT THAT PROSPECTS ARE GOOD FOR A SUCCESSFUL NEGOTIATION. THE COMMITTEE APPOINTED BY ANSQUER AND MINISTER OF FINANCE FOURCADE IS TAKING APPROPRIATE SOUNDINGS AND IS EXPECTED TO MAKE LIMITED OFFICIAL USE

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A REPORT SOON WITH RECOMMENDATIONS REGARDING A POSSIBLE SETTLEMENT.

6. COMMENT: EMBASSY BELIEVES GOF IS ASSUMING QUIETLY MORE ACTIVE ROLE IN PROMOTING SOLUTION TO SUGAR MARKET CRISIS. WE ALSO BELIEVE THAT U.S. CONCERNS ARE KNOWN AND APPRECIATED IN THE KEY PLACES IN THE GOVERNMENT. RUSH

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